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April 7, 2005

The Honorable Charles L.A. Terreni
Chief Clerk/Administrator
South Carolina Public Service Commission
101 Executive Center Dr., Suite 100
Columbia, SC 29210

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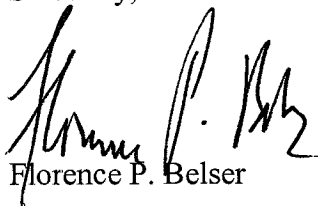
Re: Application of Chem-Nuclear Systems, LLC, a Division of Duratek, Inc.,
for Adjustment in the Levels of Allowable Costs and for Identification of
Allowable Costs (for Fiscal Year 2004-2005)
Docket No. 2000-366-A

Dear Mr. Terreni:

Enclosed for filing please find the original and twenty-six (26) copies of the Direct
Testimony and Exhibits of Office of Regulatory Staff Witness Jay R. Jashinsky in the
above referenced matter. Please date stamp the extra copy enclosed and return it to me
via our courier.

Please let me know if you have any questions.

Sincerely,



Florence P. Belser

FPB/rng
Enclosures

cc: Robert T. Bockman, Esquire
Benjamin A. Johnson, Esquire
David K. Avant, Esquire

Mr. Charles L.A. Terreni

April 7, 2005

Page 2

Henry McMaster, Esquire

Kevin A. Hall, Esquire

Regan E. Voit, President

Robert E. Merritt, Esquire

Samuel L. Finklea, Esquire

Frank R. Ellerbe, III, Esquire

William F Austin, Esquire

Mr. Henry Porter

Mr. Bill Newberry

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2000-366-A

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IN RE: Application for CHEM-NUCLEAR)
SYSTEMS, LLC, a Division of)
Duratek, Inc., for Adjustment in)
the Levels of Allowable Costs and)
for Identification of Allowable)
Costs (for Fiscal Year 2004-2005))
_____)

CERTIFICATE OF SERVICE

This is to certify that I, Rena Grant, an employee with the Office of Regulatory Staff, have this date served one (1) copy of the Direct Testimony and Exhibits of Jay R. Jashinsky in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

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Rena Grant

April 7, 2005
Columbia, South Carolina

**THE OFFICE OF REGULATORY STAFF
DIRECT TESTIMONY AND EXHIBITS
OF**

JAY R. JASHINSKY



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**DOCKET NO. 2000-366-A
CHEM-NUCLEAR SYSTEMS, LLC a Division of
Duratek, Inc., for Adjustment in the Levels of
Allowable Costs and
for Identification of Allowable
Costs**

RETURN DATE: OK D. Duke
SERVICE: OK D. Duke

1 Q. Please state for the record your name, business address
2 and position with the South Carolina Office of
3 Regulatory Staff.

4 A. My name is Jay R. Jashinsky. My business address is
5 1441 Main Street, Suite 300, Columbia, South Carolina.
6 I am employed by the South Carolina Office of Regulatory
7 Staff as the Director of Auditing.

8 Q. Please state your educational background and your work
9 experience.

10 A. I received a BS Degree in Business Administration with a
11 major in Accounting from the University of South
12 Carolina in 1977. I am licensed as a Certified Public
13 Accountant, certified in the State of South Carolina. I
14 have more than twelve years experience conducting audits
15 in accordance with generally accepted auditing
16 standards, generally accepted government auditing
17 standards and auditing standards prescribed by the U.S.
18 Office of Management and Budget. I also have six years
19 experience as an officer in the U.S. Navy and nine years
20 experience in the management and execution of Federal
21 government contracts with the Naval Sea Systems Command.

22 Q. What is the purpose of your testimony involving Chem-
23 Nuclear Systems, LLC for this proceeding?

1 A. The purpose of my testimony today is to explain the
2 South Carolina Office of Regulatory Staff's (ORS) report
3 generated as a result of its examination of the
4 operations of Chem-Nuclear Systems, LLC (Chem Nuclear or
5 the Company) for the twelve month period ended June 30,
6 2004. My testimony relates to Chem Nuclear's
7 expenditures in excess of those allowed in the
8 Commission's previous Order #2004-349; their
9 classification of certain expenditures; and their
10 proposed allowed costs for the twelve month period
11 ending June 30, 2005.

12 Q. Are your attached exhibits a result of that review?

13 A. Yes they are.

14 Q. Would you explain the Exhibits that are attached to
15 your testimony?

16 A. ORS Exhibit A is a condensed presentation of ORS's
17 proposed Fixed, Variable and Irregular costs which in
18 ORS's opinion should be allowed for reimbursement. Each
19 of these costs are presented in one of three cost
20 categories defined by the *Report of the Collaborative*
21 *Review of the Operations and Efficiency Plan Pursuant to*
22 *Public Service Commission Order No. 2003-188* (the

1 Collaborative Agreement). These cost categories are
2 Fixed, Variable and Irregular.

3 ORS Exhibit A-1 details proposed adjustments made by ORS
4 as a result of its review of the books and records of
5 the Company. I will provide a detailed explanation of
6 each of these proposed adjustments later in my
7 testimony.

8 ORS Exhibit AA details the proposed allowed costs for
9 the fiscal year ending June 30, 2005.

10 Exhibit AA-1 details Irregular Costs that were
11 considered to be known and measurable at the time of
12 ORS's review of the Company's books and records. It is
13 ORS's opinion that the presentation of these costs for
14 the purposes of this proceeding will allow the
15 Commission the opportunity to be more informed of
16 upcoming financial events which will impact allowed
17 costs for the twelve month period ending June 30, 2005.

18 Q. Are these the entire Staff Exhibits associated with this
19 proceeding?

20 A. Yes they are.

21 Q. Would you now present the results of ORS's review of
22 costs occurring during the twelve month period ending
23 June 30, 2004?

1 A. The Staff did a detailed review of the operations of the
2 Company during the twelve month period ending 2004. As a
3 result, the Staff found that the Company had actual
4 expenditures, per their application, of \$9,416,170. Of
5 this total, \$5,449,002 is classified as Fixed Cost,
6 \$1,282,259 as Variable Cost and \$2,684,909 as Irregular.
7 Cost allowed by the Commssion in their Order #2003-188
8 totaled \$8,243,968 comprised of Fixed Costs totaling
9 \$5,266,823, Variable Costs totaling \$1,195,275, and
10 Irregular Costs of \$1,781,870.

11 The total amount of actual costs, as filed by the
12 Company, exceeds the cost allowed by the Commission in
13 Order #2003-188 by \$1,172,202.

14 Q. Does ORS agree with the Company that the entire
15 \$1,172,202 should be reimbursed?

16 A. No, ORS does not. As a result of ORS's review, two
17 adjustments were proposed by the Staff which result in a
18 reduction in the excess amount which should be
19 reimbursed. ORS is of the opinion that excess costs as
20 filed should be reduced by \$174,144. ORS's Exhibit A-2
21 details the reasons for this proposed reduction.

22 Q. Before explain in detail each of the adjustments
23 proposed by ORS, would you comment on the costs

1 experienced by the Company during the twelve month
2 period ending June 30, 2004?

3 A. Yes. As in the most recent hearing, the Company
4 experienced significant costs which were not included in
5 the Order (No. 2004-349) issued as a result of that
6 hearing. In order to make a determination as to whether
7 these costs were incurred for valid purposes and fairly
8 and accurately recorded, we performed substantive
9 testing of the Company's books and records, examined
10 relevant supporting documentation, and interviewed
11 Company staff and others with direct knowledge of the
12 nature of the activities which gave rise to these costs.
13 We reviewed paid invoices associated with the work
14 performed, the Company's labor records, photographs
15 taken of the site, and relevant engineering reports.
16 Additionally, we were given two tours of the site and
17 were able to visually examine the results of the costs
18 incurred. Our second tour of the site followed a period
19 of unusually heavy rainfall. Though I am not an
20 engineer and I can't speak to the quality of the work
21 performed at the site, it did appear that the swale
22 under construction was performing its designed function
23 by capturing run-off.

1 Q. Would you please explain the adjustments proposed by ORS
2 and detailed in ORS's Exhibit A-1?

3 A. Yes I will. ORS is proposing 7 reclassifying or
4 correcting adjustments that resulted from our
5 examination of the Company's books and records.

6 The first of these adjustments is a proposed
7 reclassification of equipment lease costs from Irregular
8 to Fixed Costs. Our recommendation is based upon the
9 descriptions of Cost categories described in the
10 Collaborative Agreement. This reclassification does not
11 affect the amount of cost reimbursement requested by the
12 Company but will more accurately report the categories
13 of expenses experienced by the Company.

14 ORS's Adjustment #2 both reclassifies Depreciation
15 Expense and revises the amount of expenditures to be
16 reimbursed to the Company. In the most recent case
17 involving Chem Nuclear (Order No. 2004-349), the
18 Commission authorized Depreciation Expense for the
19 twelve months ended June 30, 2004 totaling \$88,836 as an
20 Irregular Cost.

21 Based, again, upon the definitions of Cost categories in
22 the Collaborative Agreement, ORS would recommend that
23 Depreciation Expense be reclassified as Fixed Cost.

1 We would also note that actual Depreciation Expense
2 exceeded the amount previously authorized by the
3 Commission by \$8,131. As the amount authorized was
4 based upon capital assets in service as of the date of
5 the last hearing, authorized Depreciation expense was
6 merely an estimate based upon the best available
7 information at the time of that hearing.

8 We have examined the Company's calculation of
9 Depreciation Expense as of June 30, 2004 and recommend
10 that they be reimbursed the amount requested, of
11 \$97,967.

12 Q. Would you please continue to discuss ORS's proposed
13 adjustments for fiscal year 2003?

14 A. Certainly. The next proposed adjustment (#3) deals with
15 Insurance Expense. As in the case of the Depreciation
16 Expense, ORS is recommending a reclassification of
17 Insurance Expense from Irregular to Fixed Expense and
18 recognizing that actual costs exceed the amount
19 authorized in the last Order.

20 The last order authorized Insurance Expense equal to the
21 amount actually experienced in the twelve month period
22 ended June 30, 2003. Not surprisingly, the Company has

1 continued to experience increases in their Insurance
2 Premiums.

3 The Company provided a detailed analysis of the premiums
4 associated with each of their areas of insurance
5 coverage. We compared the insured losses and associated
6 premiums for both the current and prior twelve month
7 periods. As limits of coverage and insured losses did
8 not change from one year to the next, it is ORS's
9 opinion that the increases are based entirely on the
10 increases in premiums levied by the insurers and are,
11 therefore, unavoidable.

12 Accordingly, ORS is recommending that the Commission
13 approve the entire \$929,585 Insurance Expense requested
14 by the Company. This represents an increase in
15 Insurance Expense of \$204,380.

16 Q. Would you please discuss your Accounting Adjustment #4?

17 A. Yes. The Company booked \$17,913 in legal expenses for
18 its successful defense against an Equal Employment
19 Opportunity suit and \$26,656 in supporting its
20 application for renewal of its DHEC operating license.
21 ORS examined the supporting invoices for these
22 expenditures and does not oppose the Company's

1 reimbursement for them. These expenses have, however,
2 been classified by the Company as Irregular Costs.

3 In our opinion, these costs would better reflect the
4 guidelines of the Collaborative Agreement if recorded as
5 Fixed Costs.

6 Q. Would you please discuss your Accounting Adjustment # 5?

7 A. The Company was billed \$940,282 in General and
8 Administrative (G&A) expenses by their parent company,
9 Duratek. Recognizing that all of these expenses would
10 not be reimbursable under their contract with the S.C.
11 Budget and Control Board, the Company has requested
12 recovery of General and Administrative (G&A) expenses
13 totaling \$892,551. In its Order No. 2004-349, the
14 Commission authorized \$686,000 in G&A expense for the
15 twelve month period ended June 30, 2004. This was the
16 amount shown in the Collaborative Agreement and
17 represents the actual G&A Expense the Company
18 experienced in the twelve month period ended June 30,
19 2001. Based upon ORS's interpretation of the
20 Collaborative Agreement, its intent was to inflate this
21 factor by 3.5% per year in arriving at the authorized
22 amount. Had that policy been followed, the authorized

1 amount for the twelve month period ended June 30, 2004
2 would have been \$760,580.

3 As such, ORS is recommending that the Company be
4 reimbursed \$760,580. Accordingly, we are recommending
5 the disallowance of \$131,971 of G&A expense.

6 **Q. Please describe your Accounting Adjustment #6?**

7 A. Adjustment # 6 deals with Retention Compensation
8 Expense. As with several of the previous adjustments,
9 this entry simply reclassifies an expense with no
10 resulting change in reimbursable expenses. Based upon
11 the definitions in the Collaborative Agreement, ORS is
12 of the opinion that since the cost is significant,
13 recurring and will not fluctuate with variations in the
14 amount of waste processed, this cost should be
15 classified as Fixed Cost. We therefore recommend that
16 the total cost expended of \$83,542 be reclassified to
17 the Fixed Cost category and as the amount is less than
18 the \$89,364 authorized in the last Order (No. 2004-
19 349) that the \$83,542 be reimbursed.

20 **Q. Would you please explain your Accounting Adjustment #7?**

21 A. Accounting Adjustment #7 deals with the expenditure of
22 \$155,493 in site modifications designed to improve
23 drainage at the site. The project, referred to as the

1 Western Swale was identified in the last hearing Order
2 No. 2004-349 and \$142,765 was authorized as an Irregular
3 expenditure for the twelve month period ended June 30,
4 2004. Despite having been authorized as an Irregular
5 expenditure, ORS is of the opinion that the cost of this
6 project will benefit the site for a period of many
7 years.

8 In accordance with generally accepted accounting
9 principles, an expenditure which produces benefits to
10 more than one accounting period should be capitalized
11 and the cost allocated to each period which will receive
12 benefit. This cost allocation is accomplished through
13 the concept of depreciation.

14 The cost of this Western Swale Project will likely
15 benefit the site, through controlling drainage, in
16 perpetuity. As such, establishing a useful life over
17 which such an asset should be depreciated is not
18 entirely clear cut. One option would be to assume an
19 indefinite life and therefore allow no depreciation.
20 Another possible means of establishing a useful life for
21 these improvements would be to tie that life to the
22 remaining term of Chem Nuclear's lease on the site.
23 These are just two possible means of establishing the

1 depreciable life of the improvements. Other
2 methodologies may exist and could therefore be
3 considered.

4 As the project, as of the date of this testimony, is not
5 yet completed, all costs incurred to date should be
6 capitalized as Construction in Process, and no current
7 expenditures should be allowed. When the project has
8 been completed and all applicable costs identified, the
9 project can be placed in service and cost recovery
10 through depreciation begun.

11 Accordingly, ORS is recommending the disallowance of all
12 current expenditures, totaling \$155,493, on the Western
13 Swale Project.

14 Q. Would you now please inform the Commission as to the
15 results of ORS's examination of costs associated with
16 Class A, B, C and Slit waste?

17 A. ORS has reviewed those costs associated with Disposal
18 Vaults. We have calculated a total allowed vault costs
19 equaling \$1,281,259. The pre-filed testimony of Company
20 witness, James W. Latham, requests an allowed cost
21 reimbursement totaling \$1,282,259. There appears to be a
22 \$1,000 difference between the Staff and the Company's
23 requested amount. It is the opinion of Staff that the

1 Commission should reimburse the Company a total of
2 \$1,281,259.

3 Q. Can you give the Commission a breakdown of this cost
4 total looking specifically at the various class types of
5 waste?

6 A. Yes. ORS found as a result of its examination that costs
7 associated with Class A waste buried during the twelve
8 month period ending June 30, 2004 was \$622,602.

9 This amount was spread over three (3) trenches, Nos. 86,
10 95 and 96.

11 Costs for Trench #86 were \$452,925. The number of cubic
12 feet of waste associated with these costs was 18,176.
13 Trench #95 had a cost of \$116,187. The number of cubic
14 feet associated with this cost totaled 4,584.

15 The last trench, #96, had total costs of Class A waste
16 of \$53,490. The number of cubic feet of waste at this
17 cost was 2,161.

18 Using total cost of \$622,602 and total cubic feet of
19 Class A waste of 24,921, Staff calculated a per cubic
20 foot cost for Class A waste of \$24.98.

21 Class B waste was also buried in the same three (3)
22 trenches, Nos. 86, 95 and 96 during the twelve month
23 period ending June 30, 2004.

1 A total of 1,601 cubic feet of Class B Waste was buried
2 in trench #86 at a cost of \$39,898.

3 A total of 7,572 cubic feet of Class B waste was buried
4 in Trench #95. The cost associated with this burial
5 totaled \$191,913.

6 The volume of Class B waste buried in Trench No. 96
7 totaled 3,320 cubic feet at a cost of \$82,167.

8 A total of 12,493 cubic feet of Class B waste was buried
9 during the twelve month period ended June 30, 2004 at a
10 total cost of \$313,978. Using these actual volumes and
11 costs, the total cost per cubic foot of Class B waste
12 buried in fiscal year ending 2004 was calculated at
13 \$25.13.

14 Class C waste was buried in three (3) large trenches and
15 three (3) slit trenches.

16 The total volume of Class C Waste buried in the three
17 (3) large trenches was 8,851 cubic feet at a total cost
18 of \$221,803. These volumes and costs were allocated to
19 these trenches as follows:

20 Trench No. 86 received a total volume of 1,947 cubic
21 feet at a cost of \$48,521.

22 Trench No. 95 received a total volume of 4,074 cubic
23 feet at a cost of \$103,258.

1 Trench No. 96 received a total volume of 2,830 cubic
2 feet of Class C Waste at a cost of \$70,024.

3 Using total cost of \$221,803 and total volume of Class
4 C waste buried of 8,851, the Staff calculated a per
5 cubic foot cubic cost of \$25.06 in the large
6 trenches.

7 Class C waste is also buried in three (3) Slit Trenches,
8 Nos. S21, S22 and S23.

9 The total volume of Class C waste buried in S21 for the
10 period ended June 30, 2004 totaled 807 cubic feet at a
11 cost of \$74,794.

12 Trench S22 received a total of 403 cubic feet of waste
13 at a cost of \$37,397.

14 Trench S23 received 115 cubic feet of waste at a cost of
15 \$10,685.

16 Using total volume of Slit Trench waste buried during
17 the period ended June 30, 2004 of 1,325 and the total
18 cost of this burial of \$122,876, ORS calculated a \$92.74
19 per cubic foot cost for Slit Trench burial of Class C
20 waste.

21 Q. How do these costs per cubic foot compare with the
22 approved rates in the Commission's Order No. 2004-349?

1 A. They are very close to the predicted cost per cubic
2 foot.

3 The Order detailed Class A waste cost per cubic foot to
4 be \$22.83. Actual for the twelve month period ending
5 June 30, 2004, based upon ORS's calculation, above, was
6 \$24.98.

7 Class B waste cost per cubic foot was detailed in the
8 last order to be \$23.78. ORS calculated an actual Class
9 B rate of \$25.13.

10 The Commission approved a predicted Class C rate per
11 cubic foot of large trench waste at \$23.57. ORS's
12 calculation of cost per cubic foot for Class C waste was
13 \$25.06.

14 Lastly, the Commission approved a rate of \$91.04 per
15 cubic foot of Slit Trench waste. ORS calculated actual
16 rate per cubic foot of that waste to be \$92.74.

17 None of these actual rates are out of reason when
18 compared to the predicted cost rates shown in Order
19 #2004-349.

20 Q. Does ORS have a recommendation as a result of its audit
21 of waste per cubic foot?

1 A. Yes we do. It is the recommendation of ORS that the
2 Company be allowed a cost recovery totaling \$1,281,259
3 for the twelve month period ending June 30, 2004.

4 In addition, ORS recommends that the authorized cost per
5 cubic foot of waste for the three Classes of waste for
6 the twelve month period ending June 30, 2005 be those
7 calculated above. These would result in a predicted per
8 cubic foot cost of \$24.98 for Class A waste, \$25.13 for
9 Class B waste, \$25.06 for Class C large trench waste and
10 \$92.74 for Class C Slit Trench waste.

11 Q. Is this different from that requested by the Company?

12 A. Yes it is. The Company has adjusted it's forecasted per
13 cubic foot rates by an additional 25% to accommodate
14 material supplier increases. ORS has no objection to
15 this increase except that it would appear to be more
16 reasonable to wait until actual costs for 2005 can be
17 determined in order to be certain of the actual
18 percentage of any increase during the fiscal year to
19 come.

20 Q. Would you explain to the Commission the proposed
21 adjustments ORS is recommending for the five (5)
22 variable rates, A, B & C Waste, Slit Trench Shipments,

1 Customer Assistance, Vault Purchase, Inspection and
2 Placement, and Trench Records?

3 A. Yes. The rates approved by the Commission in its
4 previous Order #2004-349, were all set using only labor
5 and fringe costs. Actual costs for the current year's
6 variable cost includes labor and fringe and other non-
7 labor costs.

8 Q. Will this have an effect on the rates shown in the
9 Commission's previous order?

10 A. Use of non-labor costs does have the effect of adding
11 costs not associated with labor, but ORS is of the
12 opinion that adding these non-labor costs is appropriate
13 in calculating the variable cost rate.

14 Q. Why is that?

15 A. The calculation of a variable rate to determine allowed
16 costs should include all known costs needed to provide
17 the functions covered by these rates. Since labor and
18 fringe are only a part of these costs, inclusion of the
19 non-labor costs should result in more accurate rates for
20 the future.

21 Q. Would you detail your new proposed rates to the
22 Commission?

1 A. Yes. As a part of ORS's examination of the books and
2 records of the Company, we were able to determine actual
3 labor and fringe cost booked by the Company.

4 Q. What were these costs?

5 A. Total Class A, B & C Waste burial costs include labor of
6 \$230,835, associated fringe costs of \$92,546, and non-
7 labor of \$179,548. Using the resulting total cost of
8 \$502,929 divided by 378 shipments (non slit trench)
9 shipments results in a per shipment cost of \$1,331 for
10 the twelve month period ended June 30, 2004.

11 Total Slit Trench burial costs include labor of \$55,641,
12 associated fringe costs of \$22,449, and non-labor costs
13 of \$58,984. Using the resulting total cost of \$137,074
14 divided by the 23 slit trench shipments received results
15 in a per slit trench shipment cost of \$5,960.

16 Total Customer Assistance costs included labor of
17 \$64,357, associated fringe costs of \$25,812, and non-
18 labor costs totaling \$285. Dividing the resulting total
19 cost of \$90,454 by the 401 total shipments received
20 results in a Customer Assistance rate of \$226 per
21 shipment for the twelve month period ended June 30,
22 2004.

1 Total Vault Purchase, Inspection and Placement costs
2 consisted of labor \$16,708, fringe of \$6,663, and non-
3 labor of \$4,193. The resulting total of \$27,564 was then
4 divided by the 388 vaults buried to produce a Vault
5 Purchase, Inspection and Placement rate of \$71 per
6 vault.

7 Trench Records variable costs is comprised of labor of
8 \$26,338 and fringe costs of \$10,596. There were no non-
9 labor costs associated with this variable rate. The
10 total cost of \$36,934 was then divided by the 1,016
11 containers received to produce a Trench Record rate of
12 \$36 per container.

13 Q. What are the new rates being proposed by ORS?

14 A. Using the costs adjusted by 3.5% and the actual
15 independent variable factors experienced during the
16 twelve month period ended June 30, 2004, ORS calculated
17 that Class A, B & C Waste rate should be increased to
18 \$1,377 per shipment. Likewise, Slit Trench Shipment's
19 rate should be increased to \$6,168 per shipment. The
20 Customer Assistance rate should be adjusted by a
21 reduction to \$233 per shipment. The Vault Purchase,
22 Inspection and Placement rate should be reduced to a

1 level of \$74 per vault. The Trench Records variable
2 rate should be reduced to a level of \$38 per container.

3 Q. Does this conclude your testimony as it relates to
4 variable costs rates for the twelve month period ending
5 June 30, 2005?

6 A. Yes, it does.

7 Q. Has ORS performed an examination of the Labor and Fringe
8 Expenses for the twelve month period ending June 30,
9 2004?

10 A. Yes, we have.

11 Q. As a result of the examination of these costs, does ORS
12 have an opinion as to the fairness of allowed costs for
13 the year ending June 30, 2004 as they relate to these
14 labor variable rates?

15 A. Yes, we do. Labor costs were tested and tied to the
16 company's books and records for the twelve month period
17 ending June 30, 2004. We found that labor costs
18 associated with these rates appear to be fairly
19 reported.

20 The Staff also tested fringe costs associated with
21 labor and found that the actual fringe rates booked by
22 the Company ranged between 39.88% and 40.35%. In its
23 last Order, the Commission accepted the fringe rate of

1 41.94% as being the actual fringe rate of the Company.

2 This rate had been proposed by the Commission Staff and

3 accepted by the Commission as being fair and reasonable.

4 The range of fringe rates shown above fall below this

5 accepted rate of 41.94% and in my opinion should be

6 considered as fair and reasonable for this proceeding as

7 it relates to costs for the fiscal year 2004.

8 Q. You made reference to non-labor in your testimony above.

9 How does this affect variable labor costs for the twelve

10 month period ending June 30, 2004?

11 A. Such costs were not used in the previous hearing in

12 setting approved variable rates for the twelve month

13 period ending June 30, 2004. However, ORS is of the

14 opinion that such costs should be allowed for recovery.

15 Q. Please explain your position.

16 A. These costs were not separately calculable in prior

17 years due to limitations of the former accounting

18 software. As such, they were not considered in the

19 determination of these variable rates. As discussed

20 earlier in my testimony, inclusion of all known costs

21 required to support a given process only enhances the

22 ability to develop more accurate rates. All of these

1 costs should be considered valid in the execution of the
2 tasks and should therefore be considered reimbursable.

3 Q. What is your position regarding the Company's request to
4 recover actual costs associated with these variable
5 rates?

6 A. It is my opinion that Chem Nuclear be should allowed to
7 recover a total of \$794,956 for variable costs. This
8 cost total is comprised of \$502,929 for Class A, B & C
9 Waste, \$137,074 for Slit Trench Shipment costs, \$90,454
10 for Customer Assistance, \$27,564 for Vault Purchase,
11 Inspection and Placement costs, and \$36,935 for Trench
12 Record costs.

13 Q. Would you not agree that these costs you have proposed
14 as allowable differ from costs calculated using the
15 rates proposed in the Commission's previous Order #2004-
16 349?

17 A. I would. However, in similar cases, the Commission has
18 ruled that costs calculated using variable rates should
19 be reimbursed at actual costs without regard to the
20 approved variable rates. In previous cases, it has been
21 found that such variable costs are estimates and are
22 constantly fluctuating due to changing economic
23 conditions. These changing economic conditions were not

1 accurately predictable at the time rates were determined
2 by the Commission Staff.

3 Q. Are you saying that variable rates are not predictors of
4 future years' costs?

5 A. I think that historical costs can be used as a means to
6 predict future costs. In doing so, however, it must be
7 acknowledged that changes in circumstance and unforeseen
8 events can drastically impact the accuracy of such
9 predictions. Future costs estimated through the use of
10 historical costs should only be one tool in determining
11 the allowance of costs.

12 Q. Do you have any other testimony as it would relate to
13 Class A, B, C and Slit Trench per foot rates?

14 A. No, I do not.

15 Q. Does this conclude the proposed Adjustments for
16 Allowable Costs to be reimbursed?

17 A. Yes, I have addressed all of the proposed Adjustments
18 offered by ORS for reimbursed costs for the twelve month
19 period ending June 30, 2004.

20 Q. Would you summarize ORS's review of reimbursable costs
21 for fiscal year 2004?

22 A. ORS has proposed to reduce the requested amount of
23 booked costs, which totals \$9,416,170, by \$175,144. The

1 result of these proposed Staff Adjustments reduces the
2 booked amount of costs to a level of \$9,241,026.

3 Q. Would you summarize ORS's review of allowed Fixed Costs
4 for twelve month period ending June 30, 2005?

5 A. The review work performed by ORS and the resulting
6 methods used to establish ORS's forecasted cost numbers
7 for the twelve month period ending June 30, 2005 were
8 similar to those used in the prior hearing.

9 In this case, ORS has updated the exhibit which was used
10 in the most recent hearing Order. This exhibit simply
11 applies a 3.5% escalation to the Fixed Costs authorized
12 in the Commissions Order 2004-349.

13 The resulting recommended authorized Fixed Costs for the
14 twelve month period ending June 30, 2005 total
15 \$7,073,044.

16 Q. Does this conclude your testimony?

17 A. Yes, it does.

DIRECT EXHIBITS
OF
JAY R. JASHINSKY

DOCKET NO. 2000-366-A
CHEM-NUCLEAR SYSTEMS, LLC a Division
of Duratek, Inc., for Adjustment in the Levels
of
Allowable Costs and
for Identification of Allowable
Costs

Chem Nuclear Systems, LLC
Operating Experience and Reimbursable Costs
For the Twelve Months Ended June 30, 2004

	Per Application	ORS's Proposed Adjustments to the Company's Filing	Adj. #	ORS's Proposed Allowed Reimbursable Costs	Commission's Order-Information Only	Actual Costs Over (Under) Commission Allowed
<u>Fixed Costs</u>						
Labor & Fringe						
Direct Labor - Includes Barnwell Staff and Non Barnwell Staff Regular and Overtime	\$ 507,723	\$		\$ 507,723	\$ 420,056	\$ 87,667
Subcontract Labor	4,911			4,911		4,911
Indirect Labor - Includes Barnwell Staff and Non Barnwell Staff Regular and Overtime	1,435,235			1,435,235	1,451,811	(16,576)
Direct Fringe	218,431			218,431	176,003	42,428
Indirect Fringe	591,835			591,835	608,307	(16,472)
Total Labor & Fringe	2,758,135			2,758,135	2,656,177	101,958
Non-Labor						
Machinery & Equipment Rent/Lease	144,181	480,132	1	624,313	346,650	277,663
Machinery & Facility Maintenance	193,669			193,669	28,600	165,069
Telecommunications	78,025			78,025		78,025
Depreciation	-	94,967	2	94,967	86,836	8,131
Fuels & Gases	31,772			31,772		31,772
Parts, Small Equipment & Supplies	203,228			203,228	350,003	(146,775)
Uniforms/Clothing	8,917			8,917		8,917
Federal Express & Postage	14,233			14,233	3,000	11,233
Taxes, Licenses, Permits - Other	-			-		-
Travel	75,186			75,186	59,000	16,186
Other Insurance	-	929,585	3	929,585	725,205	204,380
Education, Training & Seminars	14,900			14,900		14,900
Medical Examinations & Laboratory Services	15,028			15,028	134,695	(119,667)
Safety & Compliance	3,197			3,197		3,197
Miscellaneous Other Direct Charges	24,714			24,714		24,714
Consultants	163,774	44,569	4	208,343		208,343
Recruiting Fees	1,846			1,846		1,846
Dues & subscriptions	29,503			29,503		29,503
Outside Contract Expense	54,174			54,174	179,598	(125,424)
Utilities-Other	116,969			116,969	198,100	(81,131)
Total Non-Labor	1,173,316	1,549,253		2,722,569	2,111,687	610,882
Corporate Allocation (G&A)						
Barnwell SG&A Allowable	892,551	(131,971)	5	760,580	686,000	74,580
Total Corporate Allocation (G&A)	892,551	(131,971)		760,580	686,000	74,580
Reimbursable Expenses (Not Subject to 29% Markup)						
Amortization	625,000			625,000	625,000	-
Other Labor	-	83,542	6	83,542	89,364	(5,822)
Total Reimbursable Expenses	625,000	83,542		708,542	714,364	(5,822)
Total Fixed Costs	\$ 5,449,002	\$ 1,500,824		\$ 6,949,826	\$ 6,168,228	\$ 781,598

Chem Nuclear Systems, LLC
 Operating Experience and Reimbursable Costs
 For the Twelve Months Ended June 30, 2004

Per Application	ORS's Proposed Adjustments to the Company's Filing	Adj. #	ORS's Proposed Allowed Reimbursable Costs	Commission's Order-Information Only	Actual Costs Over (Under) Commission Allowed
<u>Variable Costs</u>					
\$ 1,282,259	\$ (1,000)	8	\$ 1,281,259	\$ 1,195,275	\$ 85,984
<u>794,956</u>	<u>-</u>		<u>794,956</u>	<u>643,247</u>	<u>151,709</u>
\$ 2,077,215	\$ (1,000)		\$ 2,076,215	\$ 1,838,522	\$ 237,693

Chem Nuclear Systems, LLC
Operating Experience and Reimbursable Costs
For the Twelve Months Ended June 30, 2004

	Per Application	ORS's Proposed Adjustments to the Company's Filing	Adj. #	ORS's Proposed Allowed Reimbursable Costs	Commission's Order-Information Only	Actual Costs Over (Under) Commission Allowed
<u>Irregular Costs</u>						
Irregular Costs Subject to 29% Margin						
Disposal of Big Rock Reactor Pressure Vessel						
Labor	\$ 2,465	\$		\$ 2,465	\$	\$ 2,465
Non-Labor	60,409			60,409	70,114	(9,705)
Total	62,874	-		62,874	70,114	(7,240)
Disposal of Connecticut Yankee Reactor Pressure Vessel						
Labor	8,177			8,177		8,177
Non-Labor	345,220			345,220	352,321	(7,101)
Total	353,397	-		353,397	352,321	1,076
Other Large Components						
Labor	11,476			11,476		11,476
Non-Labor	88,398			88,398		88,398
Total	99,874	-		99,874	-	99,874
West Swale Construction						
Labor	47,096	(47,096)	7	-		-
Non-Labor	108,397	(108,397)	7	-	142,765	(142,765)
Total	155,493	(155,493)		-	142,765	(142,765)
Trench 96						
Labor	4,956			4,956		4,956
Non-Labor	70,464			70,464	113,375	(42,911)
Total	75,420	-		75,420	113,375	(37,955)
Trench 86 Mods						
Labor	1,729			1,729		1,729
Non-Labor	46,056			46,056	65,104	(19,048)
Total	47,785	-		47,785	65,104	(17,319)
Various Trenches						
Labor	27,413			27,413		27,413
Non-Labor	44,216			44,216		44,216
Total	71,629	-		71,629	-	71,629
Depreciation						
Non-Labor	94,967	(94,967)	2	-	-	-
Total	94,967	(94,967)		-	-	-
Insurance						
Non-Labor	929,585	(929,585)	3	-	-	-
Total	929,585	(929,585)		-	-	-

Chem Nuclear Systems, LLC
Operating Experience and Reimbursable Costs
For the Twelve Months Ended June 30, 2004

	Per Application	ORS's Proposed Adjustments to the Company's Filing	Adj. #	ORS's Proposed Allowed Reimbursable Costs	Commission's Order-Information Only	Actual Costs Over (Under) Commission Allowed
<u>Irregular Costs (Continued)</u>						
Cost of Water/Sewer Connection						
Non-Labor	-			-	136,786	(136,786)
Total	-	-		-	136,786	(136,786)
Decontamination & Corrective Actions						
Labor	10,521			10,521		10,521
Non-Labor	10,047			10,047		10,047
Total	20,568	-		20,568	-	20,568
Engineering Drawings						
Labor	38,545			38,545		38,545
Non-Labor	18,660			18,660		18,660
Total	57,205	-		57,205	-	57,205
Miscellaneous Irregular Projects						
Labor	14,343			14,343		14,343
Non-Labor	11,394			11,394		11,394
Total	25,737	-		25,737	-	25,737
License Renewal and Appeal Costs						
Labor	24,194			24,194		24,194
Non-Labor	258			258		258
Total	24,452	-		24,452	-	24,452
Budget & Control Board Support						
Labor	8,709			8,709		8,709
Total	8,709	-		8,709	-	8,709
Other Irregular Costs						
Non-Labor	54,311			54,311		54,311
Total	54,311	-		54,311	-	54,311
Additional Irregular Non-Labor Costs						
Non-Labor	480,132	(480,132)	1	-		-
Total	480,132	(480,132)		-	-	-
Prior Year Trench Cost Adjustments						
Non-Labor	(5,340)			(5,340)		(5,340)
Total	(5,340)	-		(5,340)	-	(5,340)
Total Irregular Costs Subject to 29% Margin	2,556,798	(1,660,177)		896,621	880,465	152,942

Chem Nuclear Systems, LLC
Operating Experience and Reimbursable Costs
For the Twelve Months Ended June 30, 2004

	Per Application	ORS's Proposed Adjustments to the Company's Filing	Adj. #	ORS's Proposed Allowed Reimbursable Costs	Commission's Order-Information Only	Actual Costs Over (Under) Commission Allowed
<u>Irregular Costs (Continued)</u>						
Irregular Costs Not Subject to 29% Margin						
Retention Compensation						
Labor	83,542	(83,542)	5	-	-	-
Total	83,542	(83,542)		-	-	-
Legal Support (License Appeal)						
Non-Labor	26,656	(26,656)	4	-	-	-
Total	26,656	(26,656)		-	-	-
Legal Support (EEO)						
Non-Labor	17,913	(17,913)	4	-	-	-
Total	17,913	(17,913)		-	-	-
Total Irregular Costs Not Subject to 29% Margin	128,111	(128,111)		-	-	-
Total Irregular Costs	\$ 2,684,909	\$ (1,788,288)		\$ 896,621	\$ 880,465	\$ 152,942

Chem Nuclear Systems, LLC
 ORS's Proforma and Correcting Adjustments
 For the Twelve Months Ended June 30, 2004

Account # Adjustment Amount

Description

Adjustment #1

The Company has proposed that the cost associated with two leased cranes be reclassified from Irregular Costs to Fixed Costs. Based upon the "Working Definitions for Purposes of Cost Classification" promulgated by the Report of the Collaborative Review of the Operations and Efficiency Plan Pursuant to Public Service Commission Order No. 2003-188, approved by Public Service Commission Order No. 2003-537 (the Collaborative Agreement) and recognizing that the cost of these cranes is fixed over the terms of an executed lease and consequently will be both significant and recurring, their inclusion in Fixed Costs seems appropriate. Accordingly ORS supports the addition to Fixed Costs and the reduction from Irregular Costs of \$480,132.

5230-10; 7230-
10

480,132

Per ORS Calculation

Adjustment #2

In its Order No. 2004-349, the Public Service Commission included Depreciation Expense for the twelve month period ending June 30, 2004 as an allowable Irregular Cost. Based upon the *Collaborative Agreement*, Depreciation Expense is a significant, recurring cost which does not vary with the level of waste received for burial. Accordingly, ORS is recommending that Depreciation Expense continue to be considered a Fixed Cost. The ORS has therefore moved both the Company's actual Depreciation Expense incurred and the Commission allowed amount to the Fixed Cost Section of Exhibit A.

7270-10

94,967

Per ORS Calculation

Adjustment #3

In its Order No. 2004-349, the Public Service Commission included Insurance Expense for the twelve month period ending June 30, 2004 as an allowable Irregular Cost. Based upon the *Collaborative Agreement* and recognizing that Insurance Expense is a significant, recurring cost which does not vary with the level of waste received for burial, ORS is recommending that Insurance Expense be considered a Fixed Cost. The ORS has therefore moved both the Company's actual Insurance Expense incurred and the Commission allowed amount to the Fixed Cost Section of Exhibit A.

5380-10

929,585

Per ORS Calculation

**Chem Nuclear Systems, LLC
ORS's Proforma and Correcting Adjustments
For the Twelve Months Ended June 30, 2004**

Account # Adjustment Amount

Description

Adjustment #4

In its application, the Company has requested recovery of costs in two legal proceedings (\$26,656 in DHEC License Appeal costs and \$17,913 in the successful defense against a case filed under Equal Employment Opportunity statutes) to which it was a party during the twelve month period ended June 30, 2004. Per its review of these costs, ORS does not oppose their reimbursement to the Company. The Company has however classified these expenditures as Irregular Costs. Based upon the "Working Definitions for Purposes of Cost Classification" promulgated by the Collaborative Agreement, ORS staff is of the opinion that these costs are more accurately includable in Fixed Costs. The ORS has therefore moved the Company's actual Legal Expense incurred and the Commission allowed amount to the Fixed Cost Section of Exhibit A.

Per ORS Calculation 7515-10 44,569

Adjustment #5

In its application, the Company has requested reimbursement of General and Administrative (G&A) costs of \$892,551. This represents the Company's calculation of their parent Company's (Duratek) allocation of allowable common costs. Per its last Order (2004-349) the Commission authorized \$686,000 in G&A costs for the twelve months ending June 30, 2004. This amount appears to have been taken directly from the listing of Fixed Costs contained in the Collaborative Agreement. ORS's interpretation of the Collaborative Agreement indicates that the costs allowed in that document were to be inflated by 3.5% per year going forward. By that methodology, the amount of G&A Expense which would have been authorized for the twelve month period ending June 30, 2004 would have been \$760,580. ORS recommends, therefore, that Company be allowed \$760,580. Accordingly, ORS proposes to decrease the Company's requested reimbursement by \$131,971.

G804-DA;
S301-D2 131,971

Per ORS Calculation

Adjustment #6

In its Order No. 2004-349, the Public Service Commission included Retention Compensation Expense for the twelve month period ending June 30, 2004 as an allowable Irregular Cost. Based upon the *Collaborative Agreement*, Retention Compensation Expense is a significant, recurring cost which does not vary with the level of waste received for burial. Accordingly, ORS is recommending that Retention Compensation Expense be considered a Fixed Cost. The ORS has therefore moved both the Company's actual Retention Compensation Expense incurred (\$83,542) and the Commission allowed amount (\$89,634) to the Fixed Cost Section of Exhibit A.

Per ORS Calculation 7710-50 83,542

Chem Nuclear Systems, LLC
ORS's Proforma and Correcting Adjustments
For the Twelve Months Ended June 30, 2004

Account # Adjustment Amount

Description

Adjustment #7

In its application, the Company has requested recovery of costs associated with the construction of the Western Swale. In its Order No. 2004-349, the Public Service Commission allowed, based on costs known and measurable at the time of the last hearing, \$142,765 for this irregular project. Based upon ORS's review of the Company's books and records, the Company has, as of June 30, 2004, expended \$155,493 on this project. ORS has no objection to the Company recovering these costs, but based upon generally accepted accounting principles, these costs should be capitalized as Construction in Process and recovered by the Company through the depreciation of these "Land Improvements" over their expected useful life. As improvements such as these have arguably an unlimited life, they should be depreciated over the remaining term of the Company's lease on the Barnwell facility. ORS therefor recommends that the entire amount requested by the Company be disallowed in this proceeding.

Per ORS Calculation

1690-10 47,096
 1690-21 108,397

Adjustment #8

ORS has recalculated Variable vault costs by multiplying the actual volumes of waste received by the Variable rates approved in the hearing Order No. 2004-349. Variable vault costs calculated by this method total \$1,281,259. The Company has requested reimbursement of total Variable vault costs of \$1,282,259. ORS was unable to support the requested amount and therefore recommends that the amount calculated by ORS be reimbursed to the Company. This results in a \$1,000 reduction to the amount requested.

Per ORS Calculation

7270-10 1,000

Total Adjustments Per Staff

1,921,259

Chem Nuclear Systems, LLC
Summary of Fixed, Irregular and Variable Costs
Fiscal Year Ending June 30, 2005

<u>Description of Costs</u>	<u>Account #</u>	<u>Costs Per Staff</u>
<u>Fixed Costs</u>		
<u>Direct Costs</u>		
Direct Labor	5110-10	\$ 434,757
Direct Fringes	F113-OH	182,163
Direct Non-Labor		
Equipment 11.01.01	5230-10	304,807
Maintenance 11.01.04	5240-90	29,601
R&M Equipment Maintenance 11.01.09	5310-13	87,975
Contract Services 11.01.03	5310-19	113,433
Materials 11.01.02	5310-90	64,584
Other Direct Costs 11.01.07	5310-90	52,167
Project Costs 11.01.10	5310-90	60,651
Federal Express & Postage 11.01.08	5320-20	3,105
Travel 11.01.06	5410-10	6,210
Total Direct Non-Labor		722,533
Total Direct Fixed Costs		1,339,453
<u>Indirect Costs</u>		
Indirect Labor	7110-10 & 8110-10	1,502,624
Indirect Fringes	F113-OH	629,597
Indirect Non-Labor		
Building Utilities 11.02.04	7220	205,033
Equipment 11.02.06	7230	53,975
Office Supplies & Expenses 11.02.03	7310	96,876
Travel 11.02.01	7410	54,855
Employee Costs 11.02.02	7520	72,450
Services 11.02.05	7570	139,409
Management Fee/G&A Allocation	HBUD-10	787,200
Total Indirect Non-Labor		1,409,798
Total Indirect Fixed Costs		3,542,019
Total Fixed Costs Qualifying for Operating Margin		4,881,472
Operating Rights	8999	625,000
Total Fixed Costs		5,506,472
Irregular Costs as of Hearing		1,643,762
Total Fixed and Irregular Costs		\$ 7,150,234

Chem Nuclear Systems, LLC
Summary of Fixed, Irregular and Variable Costs
Fiscal Year Ending June 30, 2005

<u>Variable Costs Rates</u>	<u>Costs</u>	<u>Variable Factor</u>
Class A Waste	\$ <u>24.98</u>	Per Cubic Foot
Class B Waste	\$ <u>25.13</u>	Per Cubic Foot
Class C Waste	\$ <u>25.06</u>	Per Cubic Foot
Slit Trench Waste	\$ <u>92.74</u>	Per Cubic Foot
A, B & C Waste	\$ <u>1,377</u>	Per Non Slit Trench Shipment
Slit Trench Shipment	\$ <u>6,168</u>	Per Slit Trench Shipment
Customer Assistance	\$ <u>233</u>	Per Shipment
Vault Purchase, Inspection & Placement	\$ <u>74</u>	Per Vault
Trench Records	\$ <u>38</u>	Per Container

Chem Nuclear Systems, LLC
Irregular Costs as of Hearing
June 30, 2005

<u>Description</u>	<u>Per Company</u> <u>Filing</u>	<u>Adjustments</u>	<u>Adj. #</u>	<u>Per Staff</u>
Large Component Disposal Costs:				
Connecticut Yankee reactor coolant valves & piping and Navy refueling component boxes	70,000			70,000
Total Large Component Disposal Costs	70,000	-		70,000
Other Irregular Project Costs:				
Trench Construction	60,000			60,000
Free Flowing Sand (New DHEC requirement)	100,000			100,000
Total Other Irregular Project Costs	160,000	-		160,000
Other Allowable Costs:				
Depreciation	110,000			110,000
Insurance Premiums	962,121			962,121
Retention Compensation	91,641			91,641
Taxes, Licensing and Permitting Fees, Disposal Taxes, Intangible Asset Amortization, Retention Compensation Payments, Disposal Site Lease and Real Estate/Personal Property Taxes	250,000	-		250,000
Total Other Allowable Costs:	1,413,762	-		1,413,762
Total Irregular Costs for Fiscal Year 2004	1,643,762	-		1,643,762